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Agenda items 46, 119, 120, 122 and 124

Proposed programme budget for the biennium 2006-2007

Integrated and coordinated implementation of and follow-up to the outcomes of the major United Nations conferences and summits in the economic, social and related fields

Strengthening of the United Nations system

Follow-up to the outcome of the Millennium Summit

Review of the efficiency of the administrative and financial functioning of the United Nations

Implementation of decisions from the 2005 World Summit Outcome for action by the Secretary-General

Ethics office; comprehensive review of governance arrangements, including an independent external evaluation of the auditing and oversight system; and the independent audit advisory committee (A/60/568 and Corr.1 and 2)

Twenty-fourth report of the Advisory Committee on Administrative and Budgetary Questions

I. Introduction

1. As indicated in paragraph 10 of its report on the revised estimates relating to the 2005 World Summit Outcome (A/60/7/Add.13), on 28 November 2005 the Advisory Committee became aware of the report of the Secretary-General contained in document A/60/568 and Corr.1 and 2. In that report, the Secretary-General proposed that the General Assembly may wish, inter alia, to approve the establishment of an ethics office, the conduct of an independent external evaluation of governance, oversight and auditing in the United Nations system and the establishment of an independent audit advisory committee and its mandate, composition, selection process and qualifications of experts, as set out in his report.

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2. At the time that the Advisory Committee became aware of the report of the Secretary-General, it was nearing the end of its deliberations on the revised estimates relating to the 2005 World Summit Outcome. In its report on the revised estimates, the Committee expressed the conviction that it should have been given an opportunity to study the report of the Secretary-General carefully, have an exchange with his representatives and submit its views to the General Assembly, because the report might have an impact on the revised estimates. However, the Committee was informed that the report of the Secretary-General would be considered directly in informal consultations of the plenary. In a letter dated 9 December 2005 (A/C.5/60/19), the President of the General Assembly transmitted the report of the Secretary-General for consideration by the Fifth Committee, through the Advisory Committee.

II. Ethics office

3. In paragraph 161 (d) of the 2005 World Summit Outcome, the General Assembly requested the Secretary-General to submit details on an ethics office with independent status, which he intends to create, to the Assembly at its sixtieth session. An overview of the functions, responsibilities, structure and organizational location of an ethics office are contained in the report of the Secretary-General (A/60/568, annex I), while resource requirements are contained in the report of the Secretary-General on revised estimates to the proposed budget for the biennium 2006-2007 (A/60/537).

4. In his report (A/60/568), the Secretary-General appears to replace his intention to create the office with a proposal for approval by the General Assembly. The Advisory Committee commented on this matter in some detail in paragraphs 9, 10, 17 and 18 of its report on the revised estimates (A/60/7/Add.13).

5. The Advisory Committee notes from the aforementioned letter of the President of the General Assembly (A/C.5/60/19) that at the conclusion of informal consultations of the plenary held under the auspices of two co-Chairs in charge of Secretariat and management reform, the following was stated with regard to an ethics office:

> "...while there were several comments on the details of the ethics office, there is agreement on the decision to create the ethics office. This proposal has also been considered by the Advisory Committee on Administrative and Budgetary Questions and will be finalized in the context of the budget process."

The Committee considers that the comments it has made on resource requirements for the ethics office in its report on the revised estimates remain valid.

6. The recommendations of the Advisory Committee on staffing and other requirements for an ethics office take into account the primacy of the Secretary-General in this area, the considerable effort already being expended by existing units of the Secretariat, the fact that a good deal of the financial disclosure workload of the office will, at least for the short term, be outsourced and the fact that it is not yet possible to predict the remaining workload of or possible redeployments to the office. In brief, the Committee recommends that the ethics office be headed by a staff member at the D-2 level, rather than at the Assistant Secretary-General level,

since it is the Secretary-General who must provide leadership and guidance in this area. In paragraphs 22 to 25 of its report, the Committee also recommended reductions in the proposed staffing levels of the office. Among other things, the Committee recommended that some of the staffing requirements could be accommodated through general temporary assistance and that the regional liaison offices not be established at this stage, but that these matters be revisited in the light of experience.

7. Included in the estimates for the ethics office is an amount of $1.1 million for consultants to carry out the review of financial disclosure forms. **The Advisory Committee reiterates a request previously made to the Secretariat that a full breakdown and a full justification of this amount be provided to the General Assembly so that the resource proposals in the report of the Secretary-General on revised estimates (A/60/537) can be fully considered.**

8. **On the matter of standard-setting, while the Advisory Committee understands that there will be input on standards of ethical conduct from many parts of the United Nations system, which may reflect different cultural approaches, it trusts that a common standard will be developed to be applied system-wide, leading to a system-wide code of conduct for all United Nations personnel.**

9. **The Advisory Committee expects that in the follow-up report requested in paragraph 11 of its report on revised estimates (A/60/7/Add.13), the Secretary-General will provide further details on the various activities carried out by different organizational entities within the Secretariat with regard to ethics, as well as other issues raised in its report on revised estimates, including the operation of the whistle-blower protection policy, which the Committee is now informed has been finalized.**

III. Comprehensive review of governance arrangements, including an independent external evaluation of the auditing and oversight system

10. In response to paragraph 164 (b) of the 2005 World Summit Outcome, the Secretary-General has prepared terms of reference for a comprehensive review of governance arrangements, including an independent external evaluation of the auditing and oversight system within the United Nations and its funds, programmes and specialized agencies (A/60/568, annex II) for approval by the General Assembly.

11. Under the above-mentioned proposed terms of reference, the report is to consist of a governance and oversight review, to be completed within two phases, and a review of the Office of Internal Oversight Services (OIOS). The Committee notes that a separate review of OIOS does not specifically emanate from the 2005 World Summit Outcome. **Nevertheless, the Committee is of the opinion that this review is necessary and recommends that it should proceed forthwith.**

12. In paragraph 8 of his report, the Secretary-General proposed that the review should be carried out by consultants. The Advisory Committee understands that it would be a firm of consultants or firms, instead of individuals. **The Committee**

expects that the selection process will be fully transparent and compliant with established procedures for international competitive bidding.

13. As indicated in paragraphs 9 to 13 of the proposed terms of reference (A/60/568, annex II), a steering committee, to be composed of five internationally representative independent experts, is to be established by the Secretary-General, with responsibility for coordinating and supervising the development and implementation of the entire project. Progress reports on each phase of the study are to be submitted to the steering committee. The steering committee will submit the reports on governance and oversight to the Secretary-General and Executive Heads of participating agencies, funds and programmes and the review of OIOS to the Under-Secretary-General for Internal Oversight Services. Subsequently, the steering committee will submit the full report to the Secretary-General for transmission to the General Assembly. The steering committee is to work in full consultation with OIOS, the Panel of External Auditors (including the Board of Auditors), the Joint Inspection Unit and the High-level Committee on Management, as necessary.

14. The Advisory Committee was informed that the establishment of a steering committee to oversee this type of study represented best practice. **The Committee is concerned that the responsibilities and functions of the steering committee, as contained in paragraphs 9 to 12 of the proposed terms of reference, are not clearly spelled out. It is not evident, for example, what coordination and supervision of the project by the steering committee will entail, nor how actively the steering committee is to be involved in the independent evaluation itself.** Upon enquiry, the Committee was informed that it is expected that the consultants that are to carry out the review will interact with the steering committee. **The Committee points out that, as the steering committee is to be established by the Secretary-General, its active involvement in the evaluation could be seen to compromise the independence of the evaluation. The Committee therefore recommends that the language of section III.C of the terms of reference be revised to reflect the specific tasks foreseen for the steering committee.**

15. The Advisory Committee notes from paragraph 15 of the proposed terms of reference that the first phase report on governance and oversight and the report on OIOS are required by April 2006. The final consolidated report is to be completed by 31 May 2006. **Although the Committee recognizes the size and complexity of the task ahead, it trusts that every effort will be made to adhere to this timeline, while ensuring the quality of the review and avoiding disruption of the work of the Secretariat.**

IV. Provisional terms of reference for the independent audit advisory committee

16. By paragraph 164 of the 2005 World Summit Outcome, the General Assembly, inter alia, emphasizes the importance of ensuring the operational independence of OIOS and requests the Secretary-General to submit detailed proposals on the creation of an independent oversight committee, including its mandate, composition, selection process and qualification of experts. In response to this request, the Secretary-General has submitted provisional terms of reference for a body, which he proposes be called the independent audit advisory committee, for approval by the

General Assembly (see A/60/568, para. 10, and annex III, and A/60/7/Add.13, paras. 26 and 27).

17. **The Advisory Committee points out that the proposed independent audit advisory committee is to be an integral part of governance arrangements at the United Nations, which would include a previously established internal oversight committee. The findings of the governance review could have a significant impact on the functions, mandate and terms of reference of the proposed committee. The Committee therefore recommends that the creation of the independent audit advisory committee and the elaboration of its terms of reference be deferred until the governance review is completed.**

18. **The Advisory Committee is of the opinion that the establishment of operational and budgetary independence for OIOS is of utmost importance and that it does not depend on the creation of an independent audit advisory committee. Accordingly, the General Assembly may wish to request that the evaluation proposed in the report of the Secretary-General (see A/60/568, annex II, sect. II, para. 5 (c) (iii)) be expedited so that the requisite operational and budgetary independence of OIOS can be ensured. Until this has been completed, the Assembly, as an interim measure, may wish to authorize OIOS to submit its budget to the Assembly through the Committee. This is particularly relevant given the fact that a revised budget proposal for OIOS for 2006-2007, reflecting the approach of the recently appointed Under-Secretary-General for Internal Oversight Services, is to be presented during the resumed sixtieth session.**